

**STANDARD
LIFE**

AR20

**CANADIAN
ANNUAL REVIEW**

1980

HIGHLIGHTS

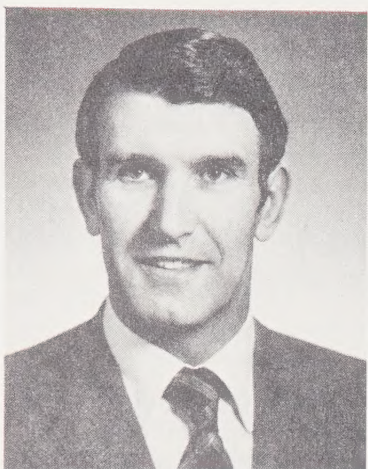
1980**1979****Canadian Branch Operations****\$000**

New business – sums assured ordinary life assurance	\$ 361,775	\$ 287,725
Payments to policyholders and beneficiaries	193,070	190,892
Net investment income	146,960	128,308
Yield on book value of investments	10.24%	9.50%
Premiums received	327,282	241,561
Assets in Canada	2,762,245	2,282,540

*The Standard Life Centre
in Edmonton, Alberta*



PRESIDENT'S REPORT



1980 must be judged a highly successful year for the Standard Life in Canada with new business production well in advance of last year and, in some cases, reaching record setting levels which will not be repeated easily.

Sales of individual life insurance increased by 25.7% over 1979, significantly better than the industry average, and resulting in an increase in annual premium income from this source of 7.3% over the

previous year. Our Flexible Premium Deferred Annuity Contract continued to prove very attractive to buyers as deposits increased to \$7.3 millions from the 1979 level of \$4.5 millions.

In the Group division, insured premium income rose 22.9% to \$90.3 millions while Segregated Fund deposits increased by 66% from \$103.6 millions in 1979 to \$172.6 millions. Assets of the Segregated Fund surpassed the \$1 billion mark last year to reach \$1.073 billion from the 1979 high of \$756 millions. New deposits under the control of Standard Life Portfolio Management Ltd. increased by 85% from \$39.9 millions to approximately \$74 millions, the corresponding asset figures being \$228.0 millions and \$373.1 millions, a 63% increase.

Our investment results for the year were, once again, among the highest achieved by life insurance companies in Canada. The rate of interest earned on funds increased from 9.50% in 1979 to 10.24% in 1980, measured on the book value of these funds.

The very successful year in 1980 was followed with the announcement, early in 1981, of a substantial increase in the rate of bonus to be declared to participating policyholders. The increase in bonuses affects both individual and some group policyholders and is a very positive step towards maintaining the competitiveness of Standard Life products.

To say that these achievements were possible only because of the talent and dedication of the staff of the company is to state the obvious. It bears pointing out, however, that the product we market so successfully is merely the combined intelligence and hard work of the men and women who work for Standard Life in Canada. They deserve the fullest credit for this performance and I welcome this opportunity to pay tribute to them.

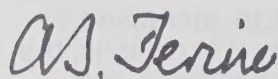
1981 will be no less difficult a year in economic terms than has been the case for the past few years. While

PRESIDENT'S REPORT

business and industry continue to develop new strategies to deal with the ever present problem of inflation, individuals too will be demanding greater and greater levels of security against the ravages of inflation. The challenge to Standard Life will be to anticipate and be ready to meet the demands of the market we aim to serve. We feel fully able to do this now and in the future. Our financial strength is an immensely solid base on which to build a response to the challenge of the '80s.

For 1981, therefore, we expect our operations to be as successful as last year. We will continue to design and market products for our individual and pension clients which reflect the traditional strength of the Standard Life in these areas and which, at the same time, are capable of responding to the new demands of our market.

Finally, in this my first report as President, I must pay tribute to my predecessor, Mr. John Burns who retired last April after a distinguished career with Standard Life spanning 47 years. During this period, he made an invaluable contribution to many areas of the Company's operations, culminating with his service as President, Canadian Operations, during an exceedingly complex period in the Company's history. Together with all his other former associates, I wish him a long and healthy retirement.



A. S. Fernie
President, Canadian Operations

YEAR IN REVIEW

RECORD INCREASE IN LIFE SALES

Sales of individual life assurance in 1980 amounted to \$361,775,000 – the highest figure on record. This is a 25.7% increase over 1979, resulting in a 7.3% increase in new premiums from life assurance sales.

Total premium income was slightly lower than last year despite these increases because of a decline in the flow of immediate and deferred annuity premiums. Annuity business has become very attractive to many companies and is therefore subject to fierce competition. This situation, in 1980, gave rise to wild fluctuations in rates throughout the industry while we maintained a conservative pricing approach.

YEAR IN REVIEW

Most encouraging, however, was the growth in the sales of our Flexible Premium Deferred Annuity plan which showed an increase of 83%, resulting in 74% more new premiums than was the case in 1979.

For many years Standard Life has enjoyed a reputation for first-class permanent life assurance products, based largely on the traditional superiority of our participating plans and on our generous bonus additions. Recently, however, record high interest rates and the recognition by the consumer of the need for increasing amounts of life assurance protection have enhanced the attractiveness of term assurance coverages in the marketplace. At the same time, a highly complex and specialized market for business insurance has developed which demands innovation and creativity in product design.

In response to these challenges during 1980, we relied on Standard's traditional strength in the field of permanent participating assurance and introduced a new plan for the business insurance market. The development of Stanex, as the plan is known, is the result of the Company's intention to remain competitive and to enlarge its market base for the benefit of all policyholders. In this connection, additional specialist training programmes are being offered to our representatives to enable them to better serve the business insurance market.

OBJECTIVES EXCEEDED ON GROUP PRODUCTS

1980 was an extremely successful year for the Group operation in terms of sales, retention of existing business, and service to clients. The objective of a 15% increase in total premium income was met or exceeded on all products with the exception of Group Life which, nonetheless, experienced a tenfold increase in new business during the year.

Insured pension products, of which Standard remains the major underwriter in Canada, recorded a premium increase of nearly 23% despite a continuing trend away from this product. In the areas of segregated and pooled funds, there was a 66% increase in deposits over 1979, fuelled by Standard's reputation as a pension fund manager, and the excellent results we have been able to achieve for our clients over the long term.

The ability to continue to perform at this level stems from the dedication and expertise of our entire team of professionals. A young, knowledgeable and aggressive Field Force working in tandem with an alert and innovative marketing and support group at Head Office have enabled the Company to seek out and meet new challenges in an evolving marketplace, and to maintain a position of pre-eminence in the pension industry.

YEAR IN REVIEW

PENSION REFORM

One such challenge is the much discussed subject of pension reform. Over the past two years, both government and industry have been engaged in a thorough analysis of Canada's retirement income system with a view to striking a balance between social needs and economic viability in the pensions area. The impetus for this review has come from the prevailing belief in the right of every citizen to an acceptable standard of living in retirement comparable to that enjoyed during his active working career.

As a major underwriter of pension business, Standard Life, along with others in the industry, is making every effort to have the industry viewpoint reflected in any decisions which will be made in this area. The changing demographics of the work-force, the erosion by inflation of the purchasing power of pensions, and the shortfall in retirement income for today's elderly are among the multitude of problems for which new solutions must be sought. We support the concept of a "Mandatory Minimum Pension Plan" in the private sector and we believe both public and private pension plans will, in future, require a higher level of contributions in order to respond to increased expectations.

ATTRACTIVE RETURNS FOR PENSION CLIENTS

Each year it becomes increasingly more difficult to assess the financial market and economic environment. 1980 was certainly no exception. Accelerating inflation combined with geopolitical considerations to produce massive shifts in international liquidity. As a result, financial markets experienced record swings in interest rates and real economic activity, growing inflationary expectations and increasingly destabilizing governmental policies. The net result for Canadian markets was a substantial increase in market valuations of equities and real estate with a corresponding decrease in fixed interest valuations as rates rose sharply. For most of the year

1980	\$2,762.2	
1975	\$1,285.2	
1970	\$727.4	
1965	\$557.6	
1960	\$290.1	
1955	\$156.2	
1950	\$73.1	(millions)

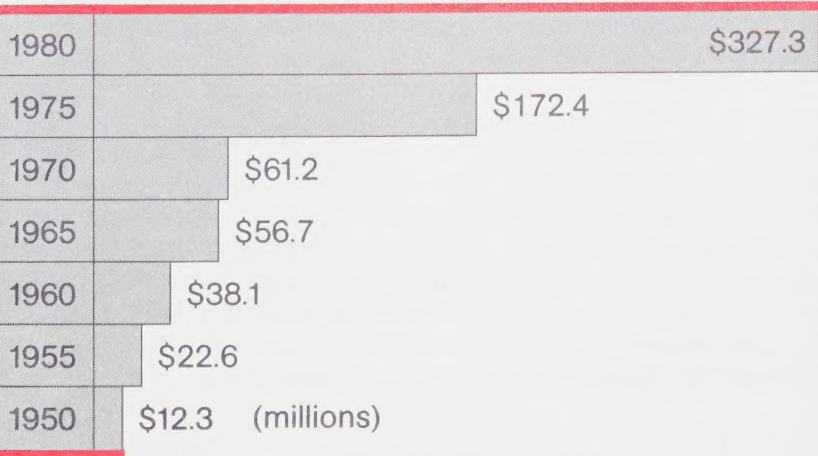
OUR ASSET GROWTH 1950 - 1980

Canada was a beneficiary of resource-oriented capital flows – an advantage that appeared to decrease toward the end of the year.

In this environment our substantial ownership assets such as common stocks and directly-owned real estate provided very attractive capital gains. Our equity portfolios bettered the market indices in both domestic and foreign markets. An active bond program allowed us to experience a yield on new purchases of close to 13%. There was a shortage of attractive long term commercial mortgage opportunities but we were able to accelerate our programme of direct real estate ownership.

During 1980 major additions were made to the real estate portfolio by the purchase or development of office buildings in Victoria, New Westminster, Saskatoon, Windsor and London. In addition, the Standard Life Centre in Edmonton, a very important office and commercial building, was completed and opened for business. The underlying policy in all of these purchases and developments is to secure optimum after-tax returns and growth potential for our policyholders.

Our pension investment management business had a very successful year. Including the segregated and subsidiary company accounts, new business was up 73% and total assets under management rose 47%. The investment results produced attractive returns for our pension clients with foreign equities up 57% and Canadian equities up 33%. The bond portfolio returns were also substantially better than the market indices. With a high orientation to equities, the pension funds' total return ranked well among the top of all pension funds managed in Canada as measured by independent services. For the last 5 years, our discretionary balanced accounts have experienced total fund compounded returns of approximately 22% per annum.



PREMIUM INCOME GROWTH 1950 – 1980

YEAR IN REVIEW

IMPROVED SYSTEMS AND PROCEDURES

The year 1980 was a year of signal achievement in the management of the company. The growth in expenses was of the order of 9% over 1979 which was below the rate of inflation recorded in the Canadian economy. This control of the costs of doing business was achieved despite record increases in the amounts of new business transacted. The introduction of more efficient systems as well as the increased productivity of our personnel both contributed to this achievement.

A number of innovations were introduced last year too. Standard Life installed a network of on-line computer terminals in all individual life branches across the country, thereby increasing the speed with which the Head Office can respond to requests from policyholders through the branches. The result has been a significant increase in efficiency and Standard Life now boasts one of the most sophisticated data communications networks of all life assurance companies in Canada. The implications of this and other developments for policyholder service are very positive.

During the year, Standard Life adopted, in compliance with the spirit of Quebec's language legislation, a French corporate identity in the province of Quebec. The new name, Compagnie d'assurance Standard Life, has become the official alternate name of the Company, and appears on all official documents produced in French. While this move was not specifically required by the language legislation, our long association with the people of Quebec and our determination to continue to be exemplary corporate citizens caused us to observe the spirit as well as the letter of the law.

It is also noteworthy that our efforts to comply with the provisions of the law as it relates to our Head Office and branch operations in Quebec, have been endorsed by the Office de la langue française.

A new advertising campaign "Salute to Amateur Sports" was launched in the latter part of 1980 on radio stations in Toronto, Montreal and Moncton. The "Salute" is a series of public service radio broadcasts which allow amateur sporting organizations the opportunity to provide the public with information on their activities. These public service broadcasts have been expanded to other cities since the end of the year, and by the end of Summer 1981, will be heard on radio stations in each city where Standard Life maintains an office. We believe this to be a meaningful demonstration of support for a vital area of our social life, and an appropriate way for the Standard Life to increase the public's awareness of ourselves.

THE OUTLOOK FOR THE FUTURE

For 1981 we expect to increase the rate of growth of new individual life assurance sales. To do this we will continue to expand our agency force and provide the training programmes for our representatives which will make them among the most professional life underwriters in the industry. Our product development efforts will be stepped up so as to enable us to take advantage of new market opportunities as they arise and to make us even more responsive to the demands of an ever-changing market.

In the Group division we feel confident of maintaining our position as a leader in the Canadian pension industry. Major projects underway include a study on mass marketing and an intensive analysis of the possibility of expanding our lines of business, and we will continue our ongoing review of existing products to ensure that they remain responsive to the demands of the market. A greater degree of mechanization will be introduced in our operations, thus enabling us to maintain the high quality of service to which our clients have become accustomed. At the same time, we will be ready to react to any legislation or trends which develop as a result of the current concern with pension reform.

YOUR BONUS HISTORY

The coverage under a Standard Life participating policy increases each year without any increase in the premiums. These increases in coverage come in the form of reversionary bonuses, that is, fully paid-up additions to the basic sum assured. Thus the policy provides a constantly increasing level of coverage which counterbalances to some extent, the effects of inflation.

The illustration shows how the coverage under our full participating policies increased between the year of purchase and 1980. Note that policies issued in 1950 and 1955, now provide more than double the original amount of coverage.

1950	\$10,000	\$23,566
1955	\$10,000	\$20,390
1960	\$10,000	\$17,557
1965	\$10,000	\$15,332
1970	\$10,000	\$13,228
1975	\$10,000	\$11,763

CANADIAN BRANCH

STATEMENT OF FINANCIAL POSITION AS AT NOVEMBER 15

	1980	1979
ASSETS		
	\$000	
Bonds and debentures		
Government	\$ 348,702	\$ 289,008
Corporate	300,421	286,945
Stocks		
Common	134,631	129,853
Preferred	22,023	15,503
Mortgages	689,137	603,643
Real estate		
Company buildings – at cost less accumulated depreciation of \$4,647 (1979 – \$4,448)	4,713	4,912
Held for investment – at cost less accumulated depreciation of \$32,495 (1979 – \$28,585)	91,247	89,691
Loans to policyholders	38,835	32,377
Cash and short term deposits	26,943	49,458
Segregated fund net assets	1,073,461	755,998
Investment in subsidiary and associated companies	4,897	3,405
Investment income – due and accrued	20,962	17,537
Other assets	6,273	4,210
	<u>\$2,762,245</u>	<u>\$2,282,540</u>
LIABILITIES		
Actuarial liabilities (note 3)	\$1,350,927	\$1,250,558
Policy benefits payable and provision for unreported claims	2,635	2,316
Provision for dividends payable to policyholders	18,947	17,876
Amounts left at interest	2,792	3,208
Segregated fund liability to policyholders	1,073,461	755,998
Other liabilities	17,145	21,333
Excess of assets in Canada over liabilities, including reserve for fluctuations in investment values	296,338	231,251
	<u>\$2,762,245</u>	<u>\$2,282,540</u>

CANADIAN BRANCH

STATEMENT OF OPERATIONS
YEAR ENDING NOVEMBER 15

1980

1979

INCOME

\$000

Premiums (including segregated funds – \$172,610: 1979 – \$103,795)	\$ 327,282	\$ 241,561
Investment income less investment expenses	146,960	128,308
Net gain on disposal of investments	4,475	14,935
Net investment income of segregated funds (including realized and unrealized appreciation and depreciation)	220,622	129,786
Other income	4,907	3,995
	<u>\$ 704,246</u>	<u>\$ 518,585</u>

THIS INCOME WAS USED FOR

Payments to policyholders and beneficiaries		
Death and disability benefits	\$ 7,842	\$ 6,812
Surrender values and matured endowments	29,002	25,280
Dividends and interest	16,610	16,843
Annuity payments	63,848	54,921
Segregated fund payments	75,768	87,036
	<u>193,070</u>	<u>190,892</u>
Increase in actuarial liabilities required for future payments to policyholders and beneficiaries (note 3)		
On basis similar to prior year	\$124,690	115,776
Effect of change in basis of calculation (24,321)	100,369	
Increase in liability to segregated fund policyholders	317,464	146,545
Operating expenses, taxes and commissions	28,256	21,529
	<u>639,159</u>	<u>474,742</u>
EXCESS OF INCOME OVER OUTGO IN CANADA		
Before undernoted adjustment	40,766	43,843
Adjustment to actuarial liabilities (note 3)	24,321	–
	<u>65,087</u>	<u>43,843</u>
	<u>\$ 704,246</u>	<u>\$ 518,585</u>

NOTES TO FINANCIAL STATEMENTS

1. INCORPORATION AND OPERATIONS

The Standard Life Assurance Company is a mutual company (that is, a company with no share capital) which was established in Edinburgh, Scotland in 1825 and which has carried on business in Canada since 1833. As such its Canadian operations must comply with the provisions of the Canadian and British Insurance Companies' Act in Canada. The overall supervision of the affairs of the company, however, remains with the British authorities and both sets of requirements must be satisfied.

The regulations, in Europe and Canada, which determine the bases on which assets may be stated, and on which the present value of liabilities may be calculated differ. It follows that the information given in this statement, as to assets and liabilities in Canada, which conforms to generally accepted Canadian practice does not correspond with the figures of Canadian assets and liabilities which have been reported to the British Government. The assets which have been placed in trust in Canada are more than sufficient to satisfy Canadian legal requirements.

The total resources of The Standard Life Assurance Company are available to meet the claims of policyholders in Canada, the United Kingdom and the Republic of Ireland.

2. ACCOUNTING POLICIES

The accounting policies followed by the Canadian Branch for reporting to its Canadian policyholders are those prescribed or accepted by the Federal Department of Insurance for British Life Insurance Companies:

(a) Bonds

Bonds are shown at amortized cost. The corresponding market value of the bond portfolio is \$511,588,000 (1979 – \$492,150,000).

(b) Stocks

Stocks are shown at cost. The corresponding market value of the equity portfolio is \$345,555,000 (1979 – \$248,337,000).

(c) Mortgages

Mortgages are shown at amortized cost.

(d) Real estate

Real estate is shown at cost less accumulated depreciation. For most buildings depreciation is taken at 5% on the declining balance basis. The market value of the real estate held for investment is \$183,912,000 (1979 – \$140,811,000). Encumbrances of \$9,175,000 have been deducted from real estate held for investment (1979 – nil).

(e) Segregated funds

Segregated fund net assets are shown at market value. The Canadian Branch has entered into contracts for the administration of pension plans. The assets pertaining to each of these contracts are, in compliance with Canadian law, segregated from the general funds of the branch. The liability for each plan varies with the market value of the segregated assets.

(f) Investment in subsidiary and associated companies

Investments in subsidiary and associated companies are carried at cost, and include loans to these companies. The operations of the subsidiary companies have not been consolidated in view of the insignificant amounts involved in relation to the total funds of the Canadian Branch.

(g) Actuarial liabilities

Actuarial liabilities are the amounts which, together with future premiums and investment income, provide for future obligations under insurance and annuity contracts. Actuarial liabilities are valued in accordance with Section 82 of the Canadian and British Insurance Companies Act, insofar as it applies to British companies.

(h) Furniture, fixtures and equipment

Furniture, fixtures and equipment are expensed in the year acquired.

(i) Income taxes

The Canadian Branch accounts for income taxes on the taxes payable method.

(j) Disposal of investments

Gains and losses on disposal of investments are included in income as they are realized.

3. ADJUSTMENT TO ACTUARIAL LIABILITIES

In 1980, changes were made in the basis used to determine the actuarial liabilities of the annuity business. This has resulted in the actuarial liabilities as at November 15, 1980 being \$24,321,000 lower (1979 – nil) than if the 1979 basis had been used. Of this adjustment, \$2,387,000 pertains to the 1980 fiscal year and \$21,934,000 to prior years.

AUDITORS' REPORT

TO THE DIRECTORS THE STANDARD LIFE ASSURANCE COMPANY

We have examined the statement of financial position of the Canadian Branch of The Standard Life Assurance Company as at November 15, 1980 and the statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances; the actuarial liabilities under policy contracts were determined and certified by the company's Valuation Actuary.

In our opinion, based on our examination and the certificate of the Valuation Actuary, these financial statements present fairly the financial position of the Canadian Branch of the company as at November 15, 1980 and the results of its operations for the year then ended in accordance with the accounting policies described in note 2 applied on a basis consistent with that of the preceding year.

Thorne Riddell
Chartered Accountants

Montréal, Canada
March 31, 1981

VALUATION ACTUARY'S CERTIFICATE

I have made the valuation of actuarial liabilities of the Canadian Branch of The Standard Life Assurance Company for its Statement of Financial Position at November 15, 1980 and its Statement of Operations for the year then ended. In my opinion (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount of the actuarial liabilities makes proper provision for the obligations payable in the future under the Company's policies, and (iii) a proper charge on the account of those liabilities has been made in the Statement of Operations.

G.F. Allan, FFA, FCIA
Valuation Actuary

Montréal, March 31, 1981

EXTRACTS FROM THE REPORT AND ACCOUNTS OF THE COMPANY AS AT NOVEMBER 15

The financial statements presented elsewhere in this review reflect the operations of the Canadian Branch of The Standard Life Assurance Company. The Company, which is headquartered in Edinburgh, Scotland, has substantial operations in both the United Kingdom and the Republic of Ireland. The total resources of the Company are available to meet the claims of policyholders in Canada, the United Kingdom and the Republic of Ireland.

Below are extracts from the Report and Accounts of the Company's operations as at November 15th. These figures are reported in pounds sterling, as required in the United Kingdom, and include the Canadian Operations.

	1980	1979
	£000	
TOTAL FUNDS	<u>£2,925,357</u>	<u>£2,549,787</u>
Represented by: -		
Bonds & debentures	£1,211,258	\$ 969,681
Stocks	1,298,861	823,008
Mortgages	305,555	312,085
Real estate	666,999	547,258
Cash & short term deposits	89,663	120,078
Other assets	<u>38,238</u>	<u>22,694</u>
Sub total - at market value	3,610,574	2,794,804
Less: Miscellaneous current liabilities	56,294	35,432
Investment reserve against fluctuations in market values	<u>628,923</u>	<u>209,585</u>
	<u>£2,925,357</u>	<u>£2,549,787</u>
INCOME		
Premiums	£ 385,464	£ 332,774
Investment income	<u>261,736</u>	<u>233,525</u>
	<u>647,200</u>	<u>566,299</u>
EXPENDITURE		
Annuity payments	48,080	43,943
Returns of accumulated pension contributions	65,245	62,970
Other payments to policyholders and beneficiaries	71,669	54,682
Operating expenses, taxes and commissions	<u>68,024</u>	<u>56,597</u>
	<u>253,018</u>	<u>218,192</u>
EXCESS OF INCOME OVER EXPENDITURE	394,182	348,107
Increase in value of assets held for investment-linked policies	92,051	27,405
Less: Decline in exchange value of non-Sterling assets	<u>110,663</u>	<u>75,194</u>
Addition to funds	<u>£ 375,570</u>	<u>£ 300,318</u>

OFFICERS IN CANADA

A.S. Fernie, FFA, FCIA
President, Canadian Operations

A.I. MacTier, CA
Senior Vice-President & Secretary

G.F. Allan, FFA, FCIA
Senior Vice-President & Actuary

R.R. Naudie, CA, CFA
Senior Vice-President (Finance)

D.F. Johnstone
Vice-President (Property Investment)

D.M. Millar, FFA, FCIA
Vice-President (Corporate Actuarial)

T.H. Golberg, FSA, FCIA
Vice-President (Group)

C.M. Marchand, CA
Vice-President (Marketing – Individual Operations)

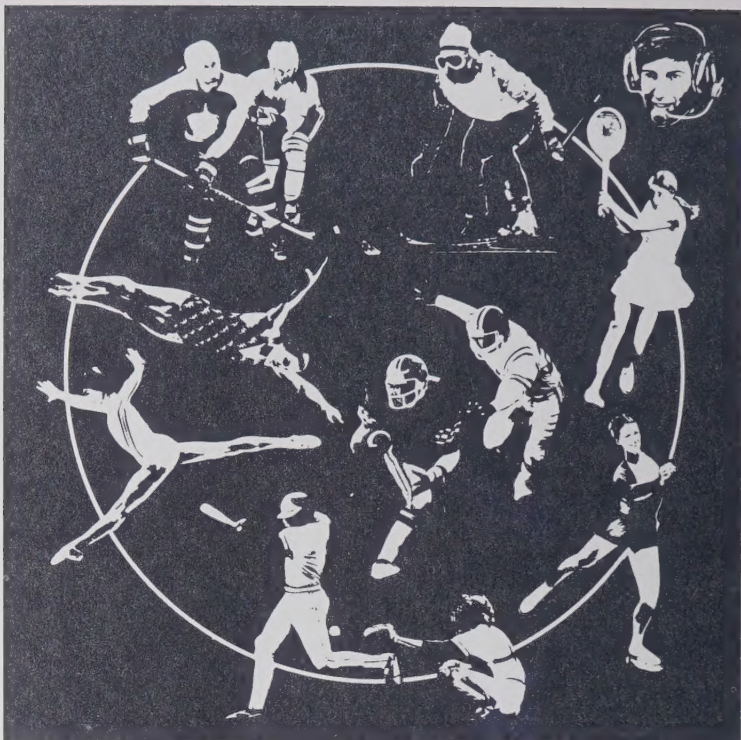
M.L. Boucher, CA
Vice-President & Comptroller

J.H. Dawson, BCL
Vice-President & General Counsel

L. McCallum, MD, FACP, FRCP (C)
Chief Medical Officer

Comme l'indique votre dossier, nous vous faisons parvenir un exemplaire anglais du Rapport annuel. Cependant, si vous préférez recevoir la version française, veuillez en faire la demande, par écrit, au Secrétaire de la Compagnie à l'adresse suivante.

**Compagnie d'assurance
Standard Life**
1245, rue Sherbrooke ouest
Montréal (Québec) H3G 1G3



SALUTE TO AMATEUR SPORTS

Are you a sports enthusiast? Do you belong to a team? Perhaps you're a minor league coach, or your son or daughter is a budding athlete. Standard Life's "Salute to Amateur Sports" gives you a chance to get news of amateur sporting activities on your local radio station. Contact your Standard Life representative to find out how you can get free radio publicity for your amateur sports activities.